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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

INFORMATION REPORT

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SUBJECT Soviet Interest in AMETHYST Incident and in North China Trade Activities
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SUPPLEMENT TO REPORT NO.

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1. During discussions between Tientsin Consul-General Titov and Second Secretary Yershov concerning the Chinese Communist shelling of the British gunboat AMETHYST, Yershov stated that the British and US admirals had decided to withdraw their gunboats from the Yangtze River. Titov said that this was proof that the United States and Britain are not ready for war with the USSR, because another incident such as the shelling could easily develop into conflicts in which the USSR would inevitably be involved.
2. Titov is following closely details of the AMETHYST incident. On 24 April 1949 Peiping Consul-General Tikhvinsky sent a cable to Titov which quoted MAO Tze-tung as saying "I am sure the British had no right to interfere with Chinese domestic affairs. During such critical moments any gunboat in the Yangtze River shall be shelled by our forces, as the Chinese Communist forces have the right to protect Chinese sovereignty."
3. On 17 April Titov, First Secretary Uss and Suvorchenkov (head of the Tientsin Torgpredstvo) arranged a clandestine dinner with Major General Lodionov, who distinguished himself in World War II in strategy and in plans for crossing European rivers. Lodionov is now an adviser to Chinese Communist General CHU Teh (commander-in-chief of the Chinese Communist Army) and helped CHU plan the Yangtze crossing**.
4. On 24 April Suvorchenkov received a message from Moscow, informing him that USSR economic plans for North and Central China should be carefully reconsidered*** because the situation is rapidly changing. Suvorchenkov has already reported to Moscow results of his investigation of cotton, petroleum, wool, etc., in Chinese Communist North China provinces.
5. When Suvorchenkov learned that the Tientsin office of Jardine Matheson Co., a British firm, had contracted to arrange a barter agreement with the Chinese Communist Foreign Trade Bureau (concerning the Chinese Communists exporting wool and bristles and importing necessities totalling US \$1,000,000), he cabled the information to the Moscow Ministry of Foreign Trade, requesting that steps be taken to prevent such British economic activities in North

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China. Suvorchenkov was ordered to return to Moscow after two weeks, and a new USSR trade representative with new plans will take his place.

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* ~~CONFIDENTIAL~~ Comment. ~~CONFIDENTIAL~~ for comment on the questionable reliability of this source.

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** ~~CONFIDENTIAL~~ Comment. Chinese informants state that the Chinese Communist crossing was well planned and executed. A Chinese student, a usually reliable source who recently left Peiping, saw a Soviet general and Chinese Communist leaders leaving LI Tsung-jen's former home.

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Washington Comment. Lodionov cannot be identified in this office.

* ~~CONFIDENTIAL~~ Comment. Foreigners and Chinese arriving in Shanghai in late April from Tientsin state that the North China economic situation is becoming worse because of the complete stoppage by ECA of shipments of raw materials -- cotton, wool, etc. -- and the practically stagnant export-import trade formerly heavy in Tientsin, on which the city's economy is dependent.

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